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Summary:

Dedham, Massachusetts; General Obligation

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Credit Profile		
US\$5.31 mil GO mun purp loan of 2009 bnds dtd 06/01/2009 due 06/01/2010-2019		
Long Term Rating	AA+/Stable	New
Dedham GO		
Unenhanced Rating	AA+(SPUR)/Stable	Affirmed
Many issues are enhanced by bond insurance.		

Rationale

Standard & Poor's Ratings Services affirmed its 'AA+' long-term rating and underlying rating (SPUR) on Dedham, Mass.' general obligation (GO) parity debt outstanding, and assigned its 'AA+' long-term rating, and stable outlook, to the town's \$5.31 million series 2009 GO municipal purpose loan bonds.

In our opinion, the rating reflects the town's:

- Prime location between Boston and Route 128, with easy access to many of the commonwealth's major employment centers;
- Mature, stable, and very diverse tax base, which has shown some valuation declines in fiscals 2008 and 2009 as a result of the national economic and housing downturn;
- Extremely strong per capita market value, coupled with strong resident income levels;
- Strong and well-embedded financial management policies and procedures, which have historically supported solid operations and the maintenance of strong available fund balance levels;
- Moderate overall net debt burden, coupled with limited future capital needs.

The town's full faith and credit pledge secures the bonds. The town will use bond proceeds to fund various capital projects, including road and sidewalk repairs (\$3.225 million), land acquisition (\$675,000), and other building improvements and equipment purchases.

Dedham (2008 population: 23,704) is a fully developed, primarily residential community with a strong commercial and retail component, adjacent to southern Boston. With nearby commuter-rail links and direct access to U.S. routes 1 and 128 and Interstate 95, Dedham's residents have access to downtown Boston and most of the commonwealth's employment centers, making the town attractive to professionals. Property wealth and income levels are strong overall. The median home value in 2008 was 231% of the national level, and per capita market values measured an extremely strong \$171,802 in fiscal 2009. In our opinion, income measures for the town are strong compared to national levels: median household effective buying income (EBI) is 137% of the national level and per capita EBI is 127% of the national level. However, these figures are a bit lower relative to Massachusetts levels: household and per capita EBI figures are 118% and 106% of the commonwealth levels, respectively.

The property tax base decreased by 0.13% in fiscal 2009 to \$4.072 billion, which, while representing the second consecutive year of declines due to the national housing downturn, is still roughly 70% higher than five years earlier. The tax base remains very diverse, with the 10 leading taxpayers accounting for just 9.5% of the fiscal 2009

AV. There has been substantial retail redevelopment along Route 1 in Dedham, in which old strip malls have been replaced by big box national retailers. Five of the 10 leading taxpayers are retail businesses, and the strong retail activity is reflected in the high per capita retail sales figure, equal to 140% of the national average.

Following a decline in Dedham's general fund position fiscal 2006 to a level we consider thin--attributable to an error in correctly valuing the town's assessed value--the town rebounded with general fund operating surpluses in fiscals 2007 and 2008. A \$1.9 million general fund surplus in fiscal 2007, and a \$799,000 surplus in 2008, brought the unreserved fund balance to \$4.873 million or 6.2% of expenditures at fiscal year-end (Jun. 30, 2008). The fiscal 2008 surplus is attributable to building permits exceeding budgeted expectations, and tight expenditure controls. When combined with the stabilization fund balance of \$3.903 million, the combined available reserve position is a strong of 11.17% of general fund expenditures, a level we consider strong. Management is estimating breakeven operations for fiscal 2009, despite having received nearly \$397,000 in mid-year (9c) cuts in commonwealth aid. The fiscal 2010 introduced budget is balanced, despite additional anticipated cuts in state aid. All of the collective bargaining contracts for town employees expired at the end of fiscal 2008, and currently remain unsettled; management has suspended all collective bargaining discussion in order to maintain services.

Dedham's management practices are considered "strong" under Standard & Poor's financial management assessment methodology, indicating Dedham's financial practices are strong, well-embedded, and likely sustainable.

Following this bond issuance, Dedham's overall net debt will remain low at just \$1,781 per capita and 1% of market value. The carrying charge in fiscal 2008 was low at 5.4% of general fund expenditures. Amortization is rapid, with 83% of long-term debt retired over the next 10 years. The town has no variable-rate debt or interest-rate swap exposure. Additional debt issuance is not expected to significantly impact debt ratios. After this issue the town will have \$5.695 million of authorized but unissued debt. Management recently completed a comprehensive capital needs assessment of its buildings, roads, and water and sewer infrastructure. The town is currently studying another school renovation project, as well as a new public safety facility and a senior center, but debt has not been authorized for these projects. The electorate's willingness to authorize revenue flexibility beyond Proposition 2 1/2 levy limits remains a credit strength; 62% of the town's total principal outstanding has been excluded from Proposition 2 1/2 limits.

As of April 2008, the town's other postemployment benefits (OPEB) liability was estimated to be \$56,839,513 based upon an 8% full pre-funding assumption, and \$112,625,512 based upon a 3.5% pay-as-you go basis. The town is expecting to vote later this month on establishing an OPEB trust fund to meet its obligation, and plans to put \$250,000 into this fund in fiscal 2010.

Outlook

The stable outlook reflects Standard & Poor's expectation that the town will maintain structural budget stability and an adequate financial position in fiscal 2009 and beyond, without additional unanticipated revenue reductions. In addition, we expect debt levels to remain low due to limited capital needs.

Related Research

- USPF Criteria: "GO Debt," Oct. 12, 2006
- "Key General Obligation Ratio Credit Ranges – Analysis Vs. Reality," April 2, 2008

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